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Following views on German and Berlin problems NATO rally reflect only situation as seen from Moscow. I believe Soviet interests as such lie rather in German problem as whole than Berlin. Soviet Union interested in stabilization their western frontier and Communist regimes in Eastern Europe, particularly East Germany which probably most vulnerable. Soviets also deeply concerned with German military potential and fear West Germany will eventually take action which will face them with choice between world war or retreat from East Germany. Even if Berlin question were settled to Soviet satisfaction, problem of Germany would remain major issue between East and West. Berlin question nevertheless of great current importance because:

- 1) It is convenient and forceful means of leverage for Soviets;
- 2) Khrushchev's prestige personally involved;
- 3) Soviets under some pressure from Ulbricht regime;
- 4) Present situation in Berlin threatens stability of East German regime because of its use as escape route, base for espionage and propaganda activities, etc.

Soviet proposals on Berlin designed enable East German regime

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eventually to acquire it or as minimum completely neutralize it, while to some extent saving face for West.

Impossible to assess with any degree accuracy Khrushchev's present intentions. He obviously trying build up case for settlement favorable to him this year. Extent to which he will have to push this problem will be affected by developments in other fields, both of general nature such as trade and disarmament as well as progress on other specific political problems. I believe that if there were some activity on German problem indicating that real progress could be made after German elections, he would be disposed not bring matters to head before that event. This might mean, for example, a meeting of Foreign Ministers having a first session in September in preparation for summit conference after elections. If there is no progress on this specific question and little progress in general situation, Khrushchev will almost certainly proceed with separate peace treaty. Extent to which he would then allow East Germans attempt gradual strangulation of Berlin would depend upon other developments, but separate treaty would in my view bring about highly dangerous situation and one which could get out of control.

Looking ahead there appears to be no prospect of reunification Germany on basis satisfactory to us for many years. I therefore believe best approach to settlement of German problem would be modification of package proposal we put forward at Geneva but with period before they would have to face free elections increased. I think Khrushchev might accept 10 year period but 7 years or even less might be negotiable. Some of military clauses could be modified and we would of course have to insit upon maintaining our position in Berlin and having better guarantees for access especially for West Germans. We could of course not be sure Soviets would carry out such solution even if agreed upon but it would have advantage of gaining time for both sides and would be solution under which we could keep our principle of self-determination intact

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intact. This appears to me of great importance as it is one of best cards we have with which to oppose Soviet policies.

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